

Income and Nutrition Support Programs Are Important Resources for Rural Communities

Income and nutrition programs are important sources of support for the rural elderly and for economically vulnerable rural people. They are especially important in the most rural areas and in those farthest from urban centers. There were few substantial changes in these programs in fiscal years 1995 and 1996, although major overhauls of all of the programs loom large in current public discourse.

Federal social insurance, disability insurance, and welfare programs provide retirement income to virtually all the rural elderly, transitional assistance to individuals and families facing temporary economic hardship, and a social safety net for the most economically vulnerable rural populations. Federal outlays for these programs increased somewhat in fiscal year 1996, although the increase was substantially above inflation for only the child nutrition programs (table 1). By far the largest Federal income support program is the Old Age, Survivor, and Disability Insurance Program operated by the Social Security Administration and popularly known as Social Security. Social Security accounted for 22.1 percent of all Federal outlays in 1995, and its benefits amounted to 6.4 percent of total personal income nationwide. Because rural areas are home to a disproportionate share of the elderly, Social Security is of more importance in rural than in urban areas. Means-tested programs, commonly referred to as welfare programs, while not making up a large share of aggregate rural income, are, nevertheless, important sources of support to the most economically vulnerable families and individuals in rural America. Almost one-fourth (23 percent) of the rural population is in households benefiting from one or more of the four largest federally supported welfare programs, and those households include 65 percent of the rural poor and over 80 percent of rural poor children (fig. 1). The Food Stamp and School Lunch Programs, with their wider eligibility, benefit a larger

Table 1

Summary of largest income support and nutrition programs

Projected Federal outlays for income and nutrition support programs in fiscal year 1996 are somewhat higher than in the previous year, but the increase is substantially above the inflation rate only for child nutrition programs

Program	Federal outlays by fiscal year			Rural areas most affected by the program
	1995	1996 projected	Change	
	Billion dollars		Percent	
Social Security (OASDI)	335.8	351.0	4.5	The most remote rural counties and retirement-destination counties
Aid to Families with Dependent Children (AFDC)	17.1	17.4	1.2	Persistent-poverty and transfer-dependent counties
Supplemental Security Income (SSI)	26.5	26.6	.5	The most remote rural areas and persistent-poverty, transfer-dependent, and mining-dependent counties
Food Stamps	25.6	26.3	3.1	The most remote rural areas and persistent-poverty, transfer-dependent, and mining-dependent counties
Child nutrition programs (primarily the School Lunch and School Breakfast Programs)	7.5	8.2	9.8	The most remote rural areas and persistent-poverty and transfer-dependent counties

Source: Budget of the United States Government, fiscal year 1997

share of the rural population than do Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI).

Social Security Is a Larger Share of Rural Than of Urban Income

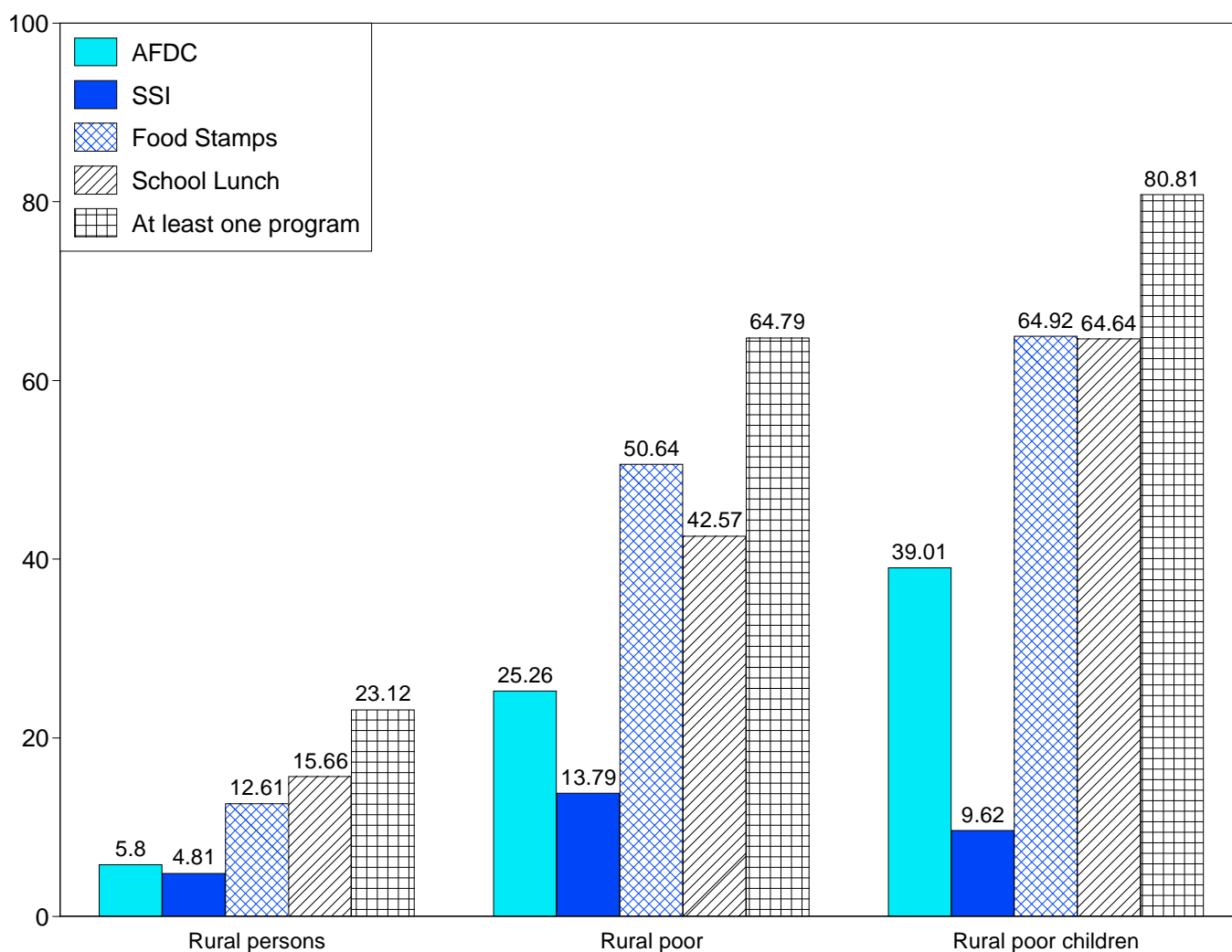
In 1993, 26 percent of the elderly lived in nonmetro counties compared with 21 percent of the non-elderly, and Social Security benefits made up 9.6 percent of total personal income in nonmetro counties compared with 5.8 percent in metro counties. The most remote rural counties and retirement-destination counties receive disproportionately high shares of Social Security income. Counties with a high proportion of Social Security income (more than 10 percent of total personal income) are concentrated in the Midwest, in the remote rural areas in Appalachia and the Northeast, and in high-amenity areas of the Sunbelt and the Northwest (fig. 2).

The projected increase in Social Security expenditures in 1996 is due to inflation and to growth in the elderly population, not to substantive changes in the Social Security program. Legislation enacted in March 1996 will raise the Social Security earnings limit gradually over the next 6 years for recipients age 65-69. When it is fully implemented, earnings allowed without loss of benefits will be \$30,000 — more than double what it would have been under previous law. The effect of this change will be small in rural areas, affecting less than 8 percent of persons age 65-69 and less than 2 percent of all

Figure 1

Percent of rural population groups in households receiving selected program benefits, 1993

Almost all children in rural low-income families benefit from one or more means-tested support programs



rural Social Security recipients. There has been some discussion of a downward adjustment of the Consumer Price Index (CPI), based on the argument that it has overstated inflation. If enacted, this adjustment would slow the growth of Social Security payments, because they are indexed to cost-of-living increases as measured by the CPI.

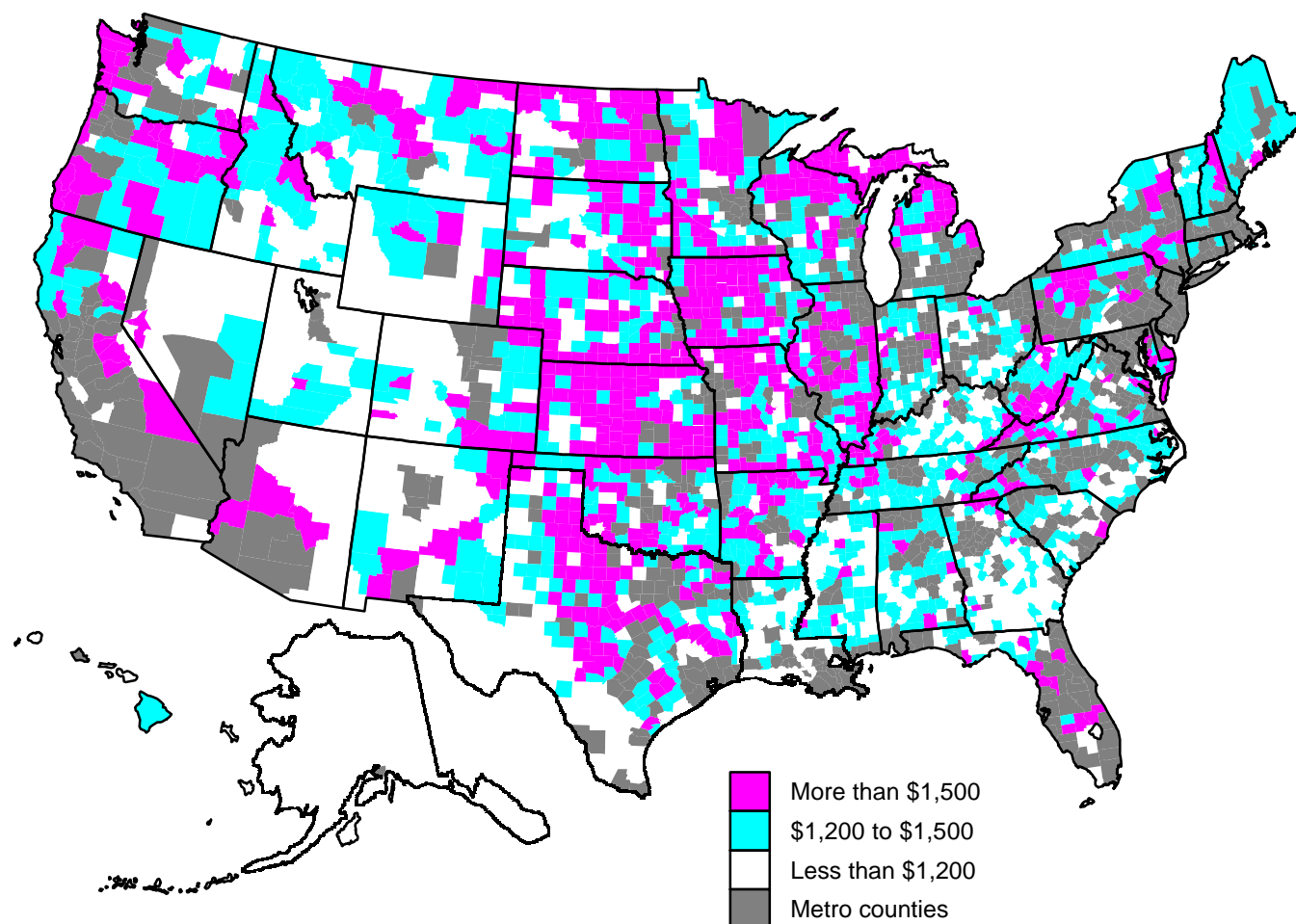
Rural Access to AFDC Is Constrained by Low Benefit Levels in States with Large Rural Populations

AFDC provides income support to very-low-income families with children under age 18. The overwhelming majority of beneficiaries (93 percent) are in families headed by women, although two-parent families with both parents unemployed also qualify. AFDC is funded jointly by Federal and State Governments with the Federal share varying from 50 to 80 percent depending on State per capita income. Eligibility criteria and benefit levels are set by States within very broad limits, with the result that participation rates and benefits vary widely among States. In 1993, average monthly benefits of recipient families varied from \$121 in Mississippi to \$568 in California and \$751 in Alaska. The lowest benefit States, those averaging less than \$300 per family per month, are disproportionately rural. They include 50 percent of the nonmetro population and 60 percent of the nonmetro poor, but only about 33 percent of the urban population. Although most persistent-poverty and

Figure 2

Per capita Social Security payments, fiscal year 1994

Social Security payments are an important income source in the most remote rural counties and in high-amenity rural counties



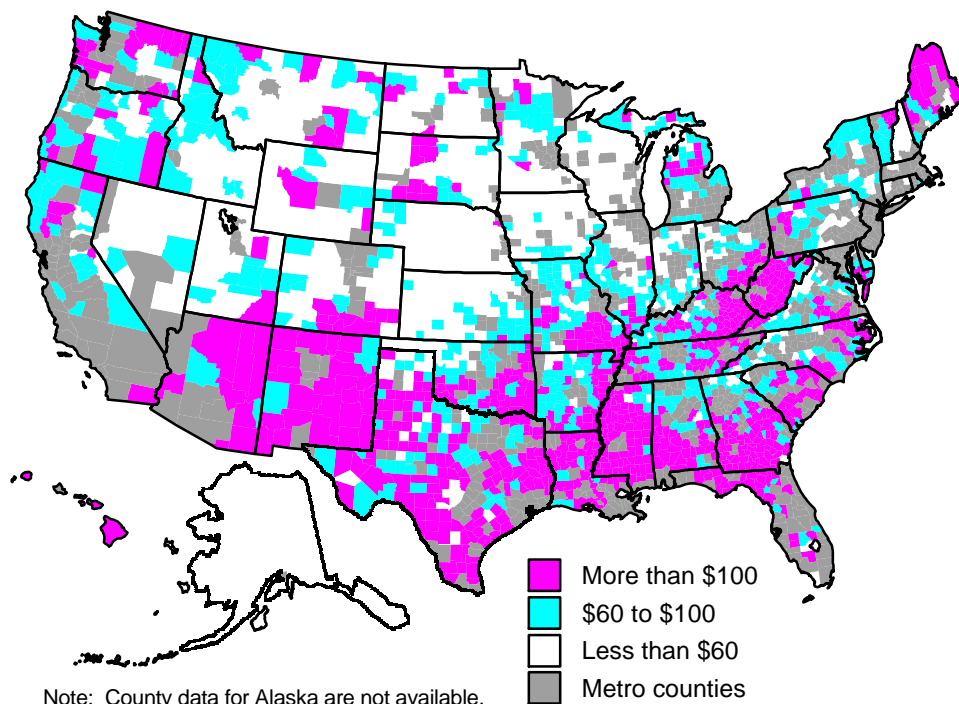
Source: Calculated by ERS using Federal Funds data from the Bureau of the Census

Figure 3

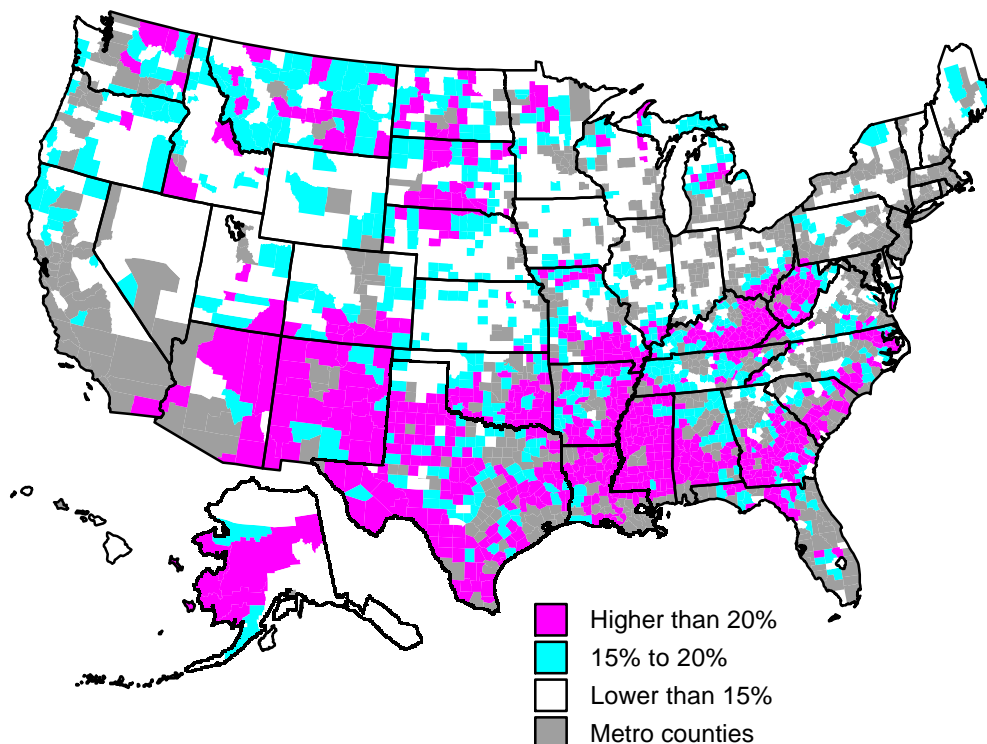
Food stamps, 1994, and poverty levels, 1989

The Food Stamp Program, with its consistent national standard, is very effectively targeted to high-poverty counties

Per capita Food Stamp expenditures, fiscal year 1994



Poverty rate, 1989



Source: Calculated by ERS using Federal Funds and decennial census of population data from the Bureau of the Census.

transfer-dependent counties are in the lower benefit States, large shares of the population in those counties receive AFDC benefits, making per capita AFDC expenditures higher there than in other nonmetro counties.

Although AFDC has remained an entitlement in principle, almost all State programs are operating under waivers allowing them to impose additional requirements for receipt of assistance. Recently enacted welfare reform will terminate the entitlement status of AFDC, provide funds for the program to States in the form of block grants, and increase State discretion. Work requirements and time limits will be mandatory in the State programs and will pose challenges for rural low-income families because of the weak labor markets in rural areas where most of the AFDC recipients are located. AFDC has been funded through fiscal year 1996 by a series of continuing resolutions. Growth in program outlays from 1995 to 1996 was less than inflation.

SSI Provides Income of Last Resort to Rural Disabled and Elderly

SSI provides income support to low-income blind and disabled persons and to low-income elderly persons not covered by Social Security. Most of the program's 6 million beneficiaries are elderly, but people of all ages with physical, mental, and developmental disabilities receive assistance. SSI benefits rural people, especially those in the most remote rural areas, somewhat more than those in urban areas due primarily to the higher proportion of low-income elderly in rural areas. Per capita expenditures are highest in persistent-poverty counties, transfer-dependent counties, and mining-dependent counties. SSI outlays grew only about 0.5 percent from 1995 to 1996, representing a slight decrease when adjusted for inflation. Recently enacted legislation will eliminate SSI benefits for disability from drug and alcohol abuse and support for children with certain mental and behavioral disabilities.

Food Stamps Are Well Targeted to High-Poverty Rural Areas

The Food Stamp Program, operated by USDA, is one of the most important support programs for low-income rural residents. It is the only national program for which virtually every person with below-poverty income qualifies. Eligibility requirements and benefit levels are standardized nationally, which results in very effective targeting of food stamp funds to high-poverty counties (fig. 3). The program's effect, measured as the total value of food stamps per capita, is substantially higher in rural than in urban areas and is highest in the most rural areas (nonmetro counties not adjacent to metro counties). This is due both to the higher poverty rates in rural areas and to lower average benefit levels from other public assistance programs, especially AFDC. (Benefits from AFDC and other assistance programs are included in the income used to determine Food Stamp Program eligibility and benefits.) Food stamp receipts are highest in persistent-poverty and transfer-dependent counties and are also well above average in mining-dependent counties. In 1993, an eighth of the rural population was in households that received food stamps, and these beneficiaries included over half of the rural poor and nearly two-thirds of rural poor children. Food stamps remain an entitlement, and budget allocation is in accordance with anticipated demand by qualifying persons. Estimated program outlays for 1996 are just slightly higher than for 1995, after adjusting for inflation. The Food Stamp Program was reauthorized for 2 years with only minor changes in the Federal Agriculture Improvement and Reform Act of 1996. Changes introduced by the recently enacted welfare reform law will be analyzed in next year's issue of *Rural Conditions and Trends*.

Most Children in Low-Income Rural Families Benefit from School Food Programs

The National School Lunch and School Breakfast programs, operated by USDA, provide funds to public and private elementary and high schools to provide hot lunches and breakfasts to school children. Children from families with income below 130 percent of the poverty threshold qualify for free meals; those from families with income from 130 to 185 percent of the poverty line qualify for reduced-cost meals. Children from higher income families can purchase meals from the school programs at very slightly subsidized

rates. Rural families, especially those in the most remote rural areas, benefit disproportionately from this program because of the generally lower incomes in rural areas; 31 percent of all rural children, including 65 percent of poor rural children, received free or reduced price meals in 1993. This program remains an entitlement, and budget allocation is in accordance with anticipated demand. *[Mark Nord, 202-219-0554, marknord@econ.ag.gov]*